

**EMMETSBURG
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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EMMETSBURG COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September 2011 Election)

Karla Anderson	President	2013
Steve Pelzer	Vice President	2011
Don Hagen		2011
Linda Tienter		2011
Kim Campbell		2013
Tammy Naig		2013
Laure Egland		2011

(After September 2011 Election)

BJ Schany	President	2015
Rick Brennan	Vice President	2015
Tammy Naig		2013
Karla Anderson		2013
Kim Campbell		2013
Scott Kibbie		2015
Kathleen Roethler		2015

School Officials

John Joynt	Superintendent
Patricia Swanson	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- IRS Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Emmetsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District, Emmetsburg, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2013 on our consideration of Emmetsburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

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our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emmetsburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

March 29, 2013

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Emmetsburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,622,880 in fiscal 2011 to \$7,528,676 in fiscal 2012 (1% decrease), while General Fund expenditures increased from \$7,063,510 in fiscal 2011 to \$7,259,540 in fiscal 2012 (3% increase).
- Expenses increased primarily due to normal payroll increases.
- General Fund revenues decreased as cash reserve property taxes were levied at a lower level than the prior year.
- The General Fund balance increased over \$269,000 to finish the year with a positive balance of over \$1,250,000. This was the third consecutive year for General Fund increases. The District's solvency ratio is 15% which is in line with the commonly recommended amount of 10%. This will assist the District in maintaining a sound financial position.
- The District collects statewide sales, services and use taxes. This money is being used for property tax relief, debt retirement, equipment, and building projects.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Emmetsburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Emmetsburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the fiduciary funds as well as a multiyear comparison of revenues and expenses.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Emmetsburg Community School District Annual Financial Report

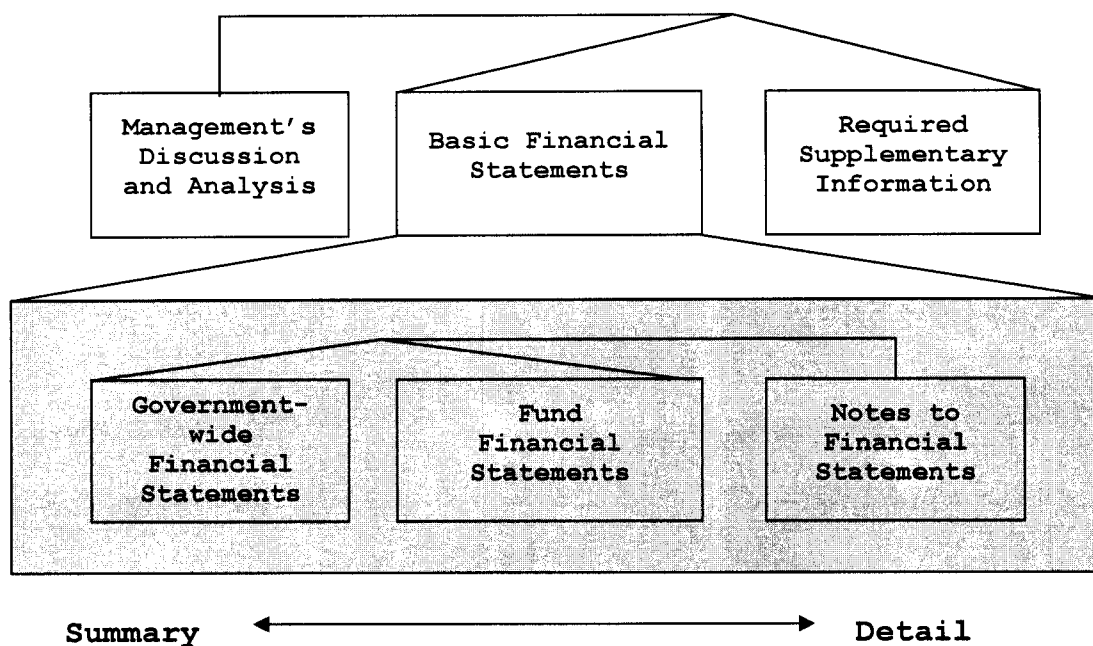


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as flex spending
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all governmental and proprietary funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- *Agency Funds* - The District accounts for the flex benefit program in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-3 Condensed Statement of Net Assets (expressed in thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current assets	\$ 6,660	6,904	108	89	6,768	6,993	-3.22%
Capital assets	10,095	10,045	-	-	10,095	10,045	0.50%
Total assets	16,755	16,949	108	89	16,863	17,038	-1.03%
Current liabilities	3,938	4,421	-	-	3,938	4,421	-10.93%
Non-current liabilities	6,552	6,872	-	-	6,552	6,872	-4.66%
Total liabilities	10,490	11,293	-	-	10,490	11,293	-7.11%
Net Assets							
Invested in capital assets, net of related debt	3,960	3,630	-	-	3,960	3,630	9.09%
Restricted	1,414	1,391	-	-	1,414	1,391	1.65%
Unrestricted	891	635	108	89	999	724	37.98%
Total net assets	\$ 6,265	5,656	108	89	6,373	5,745	10.93%

Unrestricted net assets increased primarily due to the District's General Fund increase. Restricted net assets increased as the Capital Project Sales Tax Fund increased over \$50,000.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4							
Changes in Net Assets							
(expressed in thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2012	2011	2012	2011	2012	2011	2011-2012	
Revenues:							
Program revenues:							
Charges for service	\$ 557	558	228	233	785	791	-0.76%
Operating grants, contributions and restricted interest	1,537	1,642	195	188	1,732	1,830	-5.36%
General revenues:							
Property tax	3,562	3,875	-	-	3,562	3,875	-8.08%
Income surtax	356	375	-	-	356	375	-5.07%
Statewide sales and services and use tax	479	453	-	-	479	453	5.74%
Unrestricted state grants	2,526	2,075	-	-	2,526	2,075	21.73%
Unrestricted investment earnings	1	1	-	-	1	1	0.00%
Other	1	4	-	-	1	4	-75.00%
Total revenues	9,019	8,983	423	421	9,442	9,404	0.40%
Program expenses:							
Governmental activities:							
Instruction	5,548	5,676	-	-	5,548	5,676	-2.26%
Support services	2,265	2,111	-	-	2,265	2,111	7.30%
Non-instructional programs	-	-	403	404	403	404	-0.25%
Other expenses	597	660	-	-	597	660	-9.55%
Total expenses	8,410	8,447	403	404	8,813	8,851	-0.43%
Change in net assets	\$ 609	536	20	17	629	553	13.74%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 89% of the total expenses. The District increased its spending on these areas which are the most directly related to classroom activities from 83% to 89% of total expenses over the past three years.

Governmental Activities

Revenues for governmental activities were \$9,018,212 and expenses were \$8,409,661 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5 Total and Net Cost of Governmental Activities (expressed in thousands)						
Total Cost of Services			Net Cost of Services			
2012	2011	Change 2011-2012	2012	2011	Change 2011-2012	
Instruction	\$ 5,548	5,676	-2.26%	3,742	3,797	-1.45%
Support services	2,265	2,111	7.30%	2,249	2,090	7.61%
Other expenses	597	660	-9.55%	324	361	-10.25%
Totals	<u>\$ 8,410</u>	<u>8,447</u>	<u>-0.44%</u>	<u>6,315</u>	<u>6,248</u>	<u>1.07%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$556,927.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,537,503.
- The net cost of governmental activities was financed with \$3,561,800 in property tax and \$2,525,824 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$422,938 and expenses totaled \$403,229. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the Emmetsburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$2,387,430, a 13% increase over last year's ending fund balance of \$2,104,790. This was a result primarily of an increase of over \$269,000 in the General Fund.

Governmental Fund Highlights

Several factors contributed to the changes of the fund balances in the District's governmental funds.

- The District received \$478,501 in statewide sales, services and use taxes. This money is being used for infrastructure projects and debt retirement. This saved the District's taxpayers over \$428,000 in property taxes.
- The District controlled discretionary spending in all areas.
- Declining enrollment has a negative effect on the General Fund.

Proprietary Fund Highlights

School Nutrition Fund net assets increased approximately \$20,000 in fiscal year 2012.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Actual expenditures did not exceed the budgeted amounts in any of the four functions. The unspent authorized budget remains above 10% of the General Fund budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District has invested more than \$10.0 million, net of accumulated depreciation, by the end of fiscal 2012 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded \$384,000.

Figure A-6
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 10	10	-	-	10	10	0.00%
Buildings	9,637	9,887	-	-	9,637	9,887	-2.53%
Furniture and equipment	448	148	-	-	448	148	202.70%
Totals	<u>\$ 10,095</u>	<u>10,045</u>	<u>-</u>	<u>-</u>	<u>10,095</u>	<u>10,045</u>	<u>0.50%</u>

Long-Term Debt

In 2007, the District issued \$7,425,000 of general obligation bonds for building additions and remodeling. The bonds have an interest rate of 4.0% and will fully mature in 2027. They are being paid from a combination of sales tax (80%) and property tax revenues (20%).

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-2012
General obligation bonds	\$ 6,135	6,685	-4.00%
Other postemployment benefits	285	374	100.00%
Early retirement	131	82	59.76%
	<u>\$ 6,551</u>	<u>7,141</u>	<u>-8.26%</u>

Early retirement and postemployment benefits are payable in future years. See the notes to financial statements for further explanation of these items.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10 year period. The District was on budget guarantee for fiscal year 2012 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.
- The District will need to continue to monitor payroll expenses as they account for the vast majority of the budget.
- The District hopes to achieve continued savings due to combining the junior and senior high schools onto one campus.

- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- Allowable growth must be increased above 2% to allow the District to maintain its current programs.
- The District will continue to be required to comply with unfunded and underfunded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Joynt, Superintendent, Emmetsburg Community School District, 205 King Street, Emmetsburg, IA 50536.

Basic Financial Statements

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,203,463	94,208	2,297,671
Receivables:			
Property tax:			
Current year	60,915	-	60,915
Succeeding year	3,810,488	-	3,810,488
Income surtax	375,331	-	375,331
Due from other governments	137,975	-	137,975
Other receivables	72,243	-	72,243
Inventories	-	14,137	14,137
Capital assets, net of accumulated depreciation	10,094,787	-	10,094,787
Total assets	<u>16,755,202</u>	<u>108,345</u>	<u>16,863,547</u>
Liabilities			
Accounts payable	80,805	-	80,805
Accrued interest payable	40,900	-	40,900
Deferred revenue:			
Succeeding year property tax	3,810,488	-	3,810,488
Federal programs	6,361	-	6,361
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	79,625	-	79,625
General obligation bonds payable	295,000	-	295,000
Portion due after one year:			
Net OPEB payable	131,271	-	131,271
Early retirement payable	205,629	-	205,629
General obligation bonds payable	5,840,000	-	5,840,000
Total liabilities	<u>10,490,079</u>	<u>-</u>	<u>10,490,079</u>
Net assets			
Invested in capital assets, net of related debt	3,959,787	-	3,959,787
Restricted for:			
Categorical funding	122,591	-	122,591
Student activities	62,419	-	62,419
Management levy	228,454	-	228,454
School infrastructure	519,599	-	519,599
Physical plant and equipment levy	481,554	-	481,554
Debt service	4	-	4
Unrestricted	890,715	108,345	999,060
Total net assets	<u>\$ 6,265,123</u>	<u>108,345</u>	<u>6,373,468</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction	\$ 5,548,002	553,095	1,252,876	(3,742,031)	-	(3,742,031)
Support services:						
Student	129,653	-	-	(129,653)	-	(129,653)
Instructional staff	128,593	-	-	(128,593)	-	(128,593)
Administration	680,932	-	-	(680,932)	-	(680,932)
Operation and maintenance of plant	923,309	-	11,269	(912,040)	-	(912,040)
Transportation	402,152	3,832	-	(398,320)	-	(398,320)
	2,264,639	3,832	11,269	(2,249,538)	-	(2,249,538)
Other expenses:						
AEA flowthrough	272,363	-	272,363	-	-	-
Interest on long-term debt	254,733	-	-	(254,733)	-	(254,733)
Facilities acquisition and construction	69,924	-	995	(68,929)	-	(68,929)
	597,020	-	273,358	(323,662)	-	(323,662)
Total governmental activities	8,409,661	556,927	1,537,503	(6,315,231)	-	(6,315,231)

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:					
Non-instructional programs:					
Nutrition services	403,229	195,115	-	19,709	19,709
Total	<u>\$ 8,812,890</u>	<u>1,732,618</u>	<u>(6,315,231)</u>	<u>19,709</u>	<u>(6,295,522)</u>
General revenues:					
Property tax levied for:					
General purposes			\$ 2,969,673	-	2,969,673
Management			244,318	-	244,318
Capital outlay			347,809	-	347,809
Income surtax:					
General purposes			207,517	-	207,517
Capital outlay			148,279	-	148,279
Statewide sales, services and use tax			478,501	-	478,501
Unrestricted state grants			2,525,824	-	2,525,824
Unrestricted investment earnings			542	-	542
Other			1,319	-	1,319
Total general revenues			<u>6,923,782</u>	<u>-</u>	<u>6,923,782</u>
Change in net assets			608,551	19,709	628,260
Net assets beginning of year			<u>5,656,572</u>	<u>88,636</u>	<u>5,745,208</u>
Net assets end of year			<u>\$ 6,265,123</u>	<u>108,345</u>	<u>6,373,468</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

Special Revenue		Capital Projects			Debt Service	Total
Student Activity	Management Levy	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy			
General						
\$ 1,077,727	62,419	224,263	519,599	319,451	4	2,203,463
51,009	-	4,191	-	5,715	-	60,915
3,244,224	-	224,999	-	341,265	-	3,810,488
218,943	-	-	-	156,388	-	375,331
137,975	-	-	-	-	-	137,975
72,243	-	-	-	-	-	72,243
\$ 4,802,121	62,419	453,453	519,599	822,819	4	6,660,415

Assets

Cash and pooled investments
Receivables:
Property tax:
Current year
Succeeding year
Income surtax
Due from other governments
Other receivables
Total assets

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue		Capital Projects				Debt Service	Total
	General	Student Activity	Management Levy	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy			
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 80,805	-	-	-	-	-	-	80,805
Deferred revenue:								
Succeeding year property tax	3,244,224	-	224,999	-	341,265	-	-	3,810,488
Succeeding year income surtax	218,943	-	-	-	156,388	-	-	375,331
Federal programs	6,361	-	-	-	-	-	-	6,361
Total liabilities	3,550,333	-	224,999	-	497,653	-	-	4,272,985
Fund balances:								
Restricted for:								
Categorical funding	122,591	-	-	-	-	-	-	122,591
Student activities	-	62,419	-	-	-	-	-	62,419
Management levy	-	-	228,454	-	-	-	-	228,454
School infrastructure	-	-	-	519,599	-	-	-	519,599
Physical plant and equipment levy	-	-	-	-	325,166	-	-	325,166
Debt service	-	-	-	-	-	4	4	4
Unassigned	1,129,197	-	-	-	-	-	-	1,129,197
Total fund balances	1,251,788	62,419	228,454	519,599	325,166	4	4	2,387,430
Total liabilities and fund balances	\$ 4,802,121	62,419	453,453	519,599	822,819	4	4	6,660,415

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2012

Total fund balances of governmental funds (Exhibit C)	\$ 2,387,430
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2012 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	375,331
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,094,787
Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,551,525)
Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.	<u>(40,900)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 6,265,123</u>

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2012

	Special Revenue		Capital Projects			Debt Service	Total
	General	Student Activity	Management Levy	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy		
Revenues:							
Local sources:							
Local tax	\$ 3,204,067	-	244,318	478,501	515,293	-	4,442,179
Tuition	553,095	-	-	-	-	-	553,095
Other	88,284	285,242	9,957	995	1,034	-	385,512
State sources	3,443,767	-	118	-	160	-	3,444,045
Federal sources	239,463	-	-	-	-	-	239,463
Total revenues	7,528,676	285,242	254,393	479,496	516,487	-	9,064,294
Expenditures:							
Current:							
Instruction	5,182,567	268,706	134,767	250	436,022	-	6,022,312
Support services:							
Student	129,653	-	-	-	-	-	129,653
Instructional staff	128,593	-	-	-	-	-	128,593
Administration	678,803	-	2,129	-	-	-	680,932
Operation and maintenance of plant	537,684	-	49,753	-	-	-	587,437
Transportation	329,877	-	16,438	-	7,525	-	353,840
	1,804,610	-	68,320	-	7,525	-	1,880,455

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2012

	Special Revenue		Capital Projects				Debt Service	Total
	General	Student Activity	Management Levy	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy			
Other expenditures:								
AEA flowthrough	272,363	-	-	-	-	-	-	272,363
Long-term debt:								
Principal	-	-	-	-	-	-	280,000	280,000
Interest	-	-	-	-	-	-	256,600	256,600
Facilities acquisition and construction	-	-	-	-	69,924	-	-	69,924
	272,363	-	-	-	69,924	-	536,600	878,887
Total expenditures	7,259,540	268,706	203,087	250	513,471	-	536,600	8,781,654
Excess (deficiency) of revenues over (under) expenditures	269,136	16,536	51,306	479,246	3,016	(536,600)		282,640
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	536,600	536,600	536,600
Operating transfers out	-	-	-	(428,724)	(107,876)	-	-	(536,600)
	-	-	-	(428,724)	(107,876)	536,600	536,600	-
Net change in fund balances	269,136	16,536	51,306	50,522	(104,860)	-	-	282,640
Fund balances beginning of year	982,652	45,883	177,148	469,077	430,026	4	4	2,104,790
Fund balances end of year	\$ 1,251,788	62,419	228,454	519,599	325,166	4	4	2,387,430

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2012

Net change in fund balances - total governmental funds (Exhibit E) \$ 282,640

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change from the prior fiscal year.

(46,082)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 433,720	
Depreciation expense	<u>(384,184)</u>	49,536

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Early retirement	88,625	
Other postemployment benefits	<u>(48,035)</u>	40,590

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,867

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid		<u>280,000</u>
--------	--	----------------

Change in net assets of governmental activities (Exhibit B) \$ 608,551

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2012

	Business Type
	<u>School</u>
	<u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 94,208
Inventories	<u>14,137</u>
Total assets	<u>108,345</u>
Net Assets	
Unrestricted	<u>108,345</u>
Total net assets	<u>\$ 108,345</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2012

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 227,823
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	139,898
Benefits	50,373
Services	400
Supplies	212,510
Depreciation	48
Total operating expenses	<u>403,229</u>
Operating (loss)	<u>(175,406)</u>
Non-operating revenues:	
State sources	3,673
Federal sources	191,200
Interest income	242
	<u>195,115</u>
Changes in fund net assets	19,709
Net assets beginning of year	<u>88,636</u>
Net assets end of year	<u>\$ 108,345</u>

See notes to financial statements.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 227,823
Cash payments to employees for services	(190,271)
Cash payments to suppliers for goods or services	<u>(192,510)</u>
Net cash (used by) operating activities	<u>(154,958)</u>
Cash flows from non-capital financing activities:	
State grants received	3,673
Federal grants received	<u>170,800</u>
Net cash provided by non-capital financing activities	<u>174,473</u>
Cash flows from investing activities:	
Interest on investments	<u>242</u>
Net change in cash and cash equivalents	19,757
Cash and cash equivalents beginning of year	<u>74,451</u>
Cash and cash equivalents end of year	<u>\$ 94,208</u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (175,406)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	48
Commodities used	<u>20,400</u>
	<u>\$ (154,958)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received federal commodities valued at \$20,400.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Agency Fund
	<u> </u>
Assets	
Cash and pooled investments	\$ 14,787
	<u> </u>
Total assets	<u>14,787</u>
	<u> </u>
Liabilities	
Accounts payable	14,787
	<u> </u>
Net Assets	\$ <u> </u> -

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Emmetsburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Emmetsburg, Iowa, and agricultural area in Palo Alto County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Emmetsburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Emmetsburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all governmental and proprietary funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund, Statewide Sales, Service and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The Capital Projects Fund, Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District for administering its flex spending plan.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivables, other receivables and income surtax not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2012.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosure is reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2012.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	13,088,063	-	-	13,088,063
Furniture and Equipment	1,329,388	433,720	-	1,763,108
Total capital assets being depreciated	14,417,451	433,720	-	14,851,171
Less accumulated depreciation for:				
Buildings	3,201,188	249,931	-	3,451,119
Furniture and Equipment	1,181,012	134,253	-	1,315,265
Total accumulated depreciation	4,382,200	384,184	-	4,766,384
Total capital assets being depreciated, net	10,035,251	49,536	-	10,084,787
Governmental activities, capital assets, net	\$ 10,045,251	49,536	-	10,094,787
Business type activities:				
Furniture and equipment	\$ 125,304	-	-	125,304
Less accumulated depreciation	125,256	48	-	125,304
Business type activities capital assets, net	\$ 48	(48)	-	-
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Plant operation and maintenance				\$ 335,872
Transportation services				48,312
				\$ 384,184
Business Type activities:				
Food service operations				\$ 48

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ 83,236	48,035	-	131,271	-
General Obligation Bonds	6,415,000	-	280,000	6,135,000	295,000
Early Retirement	373,879	-	88,625	285,254	79,625
Total	\$6,872,115	48,035	368,625	6,551,525	374,625

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2007			
	Rates	Interest	Principal	Total
2013	4.00%	\$ 245,400	295,000	540,400
2014	4.00	233,600	310,000	543,600
2015	4.00	221,200	320,000	541,200
2016	4.00	208,400	335,000	543,400
2017	4.00	195,000	350,000	545,000
2028-2022	4.00	750,800	2,015,000	2,765,800
2023-2027	4.00	309,800	2,510,000	2,819,800
Total		<u>\$2,164,200</u>	<u>6,135,000</u>	<u>8,299,200</u>

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must have attained the age of 55 on or before July 1 of the year of retirement but not exceeded the age of 66 when the benefit is first paid. For benefits to be payable, the licensed employee must have completed at least 12 years of full-time consecutive service in the district. The early retirement benefit for each eligible employee is equal to the single insurance premium, not to exceed \$6,875 yearly. Early retirement benefits paid during the year ended June 30, 2012 totaled \$88,625. The total cost of early retirement payments is expected to be \$285,254, of which \$79,625 is expected to be paid in FY13. These amounts are shown as long-term liabilities on the Statement of Net Assets.

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$370,329, \$303,597, and \$289,136 respectively, equal to the required contributions for each year.

(6) Risk Management

Emmetsburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$272,363 for year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Physical Plant and Equipment Levy	\$107,876
Debt Service	Capital Projects, Statewide Sales, Service and Use Tax	<u>428,724</u>
		<u>\$536,600</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 96 active members and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 65,535
Interest on net OPEB obligation	2,081
Adjustment to annual required contribution	<u>(5,597)</u>
Annual OPEB cost	62,019
Contributions made	<u>(13,984)</u>
Increase in net OPEB obligation	48,035
Net OPEB obligation beginning of year	<u>83,236</u>
Net OPEB obligation end of year	<u>\$131,271</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$13,945 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$57,251	24.4%	\$ 43,306
June 30, 2011	57,537	30.6	83,236
June 30, 2012	62,019	22.5	131,271

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$459,853, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$459,853. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,555,000 and the ratio of the UAAL to covered payroll was 10.0%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Required Supplementary Information

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts	Final to Actual
	Actual	Actual	Actual	Original	Variance
Revenues:					
Local sources	\$ 5,380,786	228,065	5,608,851	5,587,157	21,694
State sources	3,444,045	3,673	3,447,718	3,656,027	(208,309)
Federal sources	239,463	191,200	430,663	419,000	11,663
Total revenues	<u>9,064,294</u>	<u>422,938</u>	<u>9,487,232</u>	<u>9,662,184</u>	<u>(174,952)</u>
Expenditures/Expenses:					
Instruction	6,022,312	-	6,022,312	6,028,766	6,454
Support services	1,880,455	-	1,880,455	1,891,000	10,545
Non-instructional programs	-	403,229	403,229	425,000	21,771
Other expenditures	878,887	-	878,887	1,249,928	371,041
Total expenditures/expenses	<u>8,781,654</u>	<u>403,229</u>	<u>9,184,883</u>	<u>9,594,694</u>	<u>409,811</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	282,640	19,709	302,349	67,490	234,859
Balance beginning of year	<u>2,104,790</u>	<u>88,636</u>	<u>2,193,426</u>	<u>783,333</u>	<u>1,410,093</u>
Balance end of year	<u>\$ 2,387,430</u>	<u>108,345</u>	<u>2,495,775</u>	<u>850,823</u>	<u>1,644,952</u>

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	\$503	\$503	0.0%	\$4,365	11.5%
2011	July 1, 2009	\$0	\$486	\$486	0.0%	\$4,423	11.0%
2012	July 1, 2009	\$0	\$460	\$460	0.0%	\$4,555	10.1%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activity Tickets	\$ 10	10,056	300	9,766
Rental Fees	49	1,392	473	968
V Show Choir Rental	240	-	240	-
JV Show Choir Rental	1,320	620	1,670	270
Concert Choir Uniform Rental	1,213	510	1,337	386
Middle School Swing Choir	-	103	-	103
Gifts and Donations	2,103	580	705	1,978
Interest Earned	158	268	238	188
Elementary Book Fair	11	3,109	3,042	78
Bucks for Books	283	1,322	1,338	267
Tournaments	-	40,961	40,961	-
Middle School Music	-	-	208	(208)
HS Vocal Music	248	12,554	14,264	(1,462)
HS Instrumental Music	2,007	278	902	1,383
Musical/Play	854	834	4,501	(2,813)
Pupil Insurance	12	300	300	12
Pepsi Funds	2,281	8,672	5,075	5,878
FFA	3,056	30,591	26,071	7,576
Speech and Drama	-	-	643	(643)
Elementary Student Council	4,550	3,002	1,889	5,663
MS Student Council	2,787	2,900	2,752	2,935
HS Student Council	3,329	13,345	11,601	5,073
Concessions	(159)	652	1,780	(1,287)
Present Year Aerie	3,548	12,620	9,585	6,583
National Honor Society	-	960	1,125	(165)
Previous Classes	613	-	293	320
Class of 2013	401	15,047	14,155	1,293
Class of 2014	(35)	4	60	(91)
Class of 2012	2,000	1,020	3,105	(85)
Class of 2011	-	21	60	(39)
Cheerleaders	1,901	12,385	13,356	930
Peer Counseling	105	-	-	105
Spanish Club	73	-	-	73
General Athletics	178	71,672	73,062	(1,212)
Speed and Agility	-	-	-	-
HS Football	5,271	11,425	13,729	2,967
HS Boys Golf	772	-	364	408
HS Girls Basketball	-	1,824	637	1,187
HS Wrestling	-	284	-	284
Softball Fundraiser	609	17,327	14,391	3,545
HS Boys Track	87	1,800	1,623	264
HS Cross Country	237	1,123	958	402
HS Volleyball	389	1,012	285	1,116
Journalism	395	-	-	395
Towels	1,433	-	-	1,433
Helping Hands	57	212	114	155
Laptop Insurance	-	4,435	876	3,559
Hawks Nest	3,497	22	638	2,881
Totals	\$ 45,883	285,242	268,706	62,419

See accompanying independent auditor's report.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$4,442,179	4,703,990	3,978,174	3,423,513	3,383,861	3,398,214	3,387,786	3,279,793	2,784,860
Tuition	553,095	554,305	622,257	526,469	523,733	633,127	522,290	417,357	407,700
Other	385,512	351,788	443,839	520,078	623,551	457,340	386,271	363,099	293,795
State sources	3,444,045	2,965,239	2,853,067	2,994,369	3,052,031	3,013,420	2,860,913	2,932,086	2,911,901
Federal sources	239,463	406,710	591,221	207,734	175,351	268,678	300,229	208,250	325,603
Total	<u>\$9,064,294</u>	<u>8,982,032</u>	<u>8,488,558</u>	<u>7,672,163</u>	<u>7,758,527</u>	<u>7,770,779</u>	<u>7,457,489</u>	<u>7,200,585</u>	<u>6,723,859</u>
Expenditures:									
Instruction	\$6,022,312	5,372,167	5,126,954	5,257,437	4,910,987	4,405,024	4,058,450	4,135,201	4,200,251
Support services:									
Student	129,653	151,860	146,684	96,885	148,500	140,130	129,598	231,101	280,416
Instructional staff	128,593	118,157	112,846	124,117	139,135	154,341	163,935	158,401	135,024
Administration	680,932	676,563	841,842	636,551	727,436	1,128,369	635,668	573,344	704,940
Operation and maintenance of plant	587,437	555,165	534,434	635,801	820,937	736,696	641,744	536,930	560,012
Transportation	353,840	346,661	302,779	337,369	354,098	370,009	372,138	361,809	193,044
Other expenditures:									
Facilities acquisition	69,924	108,727	573,135	3,635,450	4,632,841	340,564	93,296	260,086	236,675
Debt Service:									
Principal	280,000	270,000	260,000	245,000	235,000	125,000	125,000	125,000	125,000
Interest	256,600	267,400	277,800	287,600	297,000	3,688	7,000	9,813	16,742
Services	-	-	-	-	200	-	-	-	-
AEA flowthrough	272,363	297,748	296,572	252,057	245,750	240,007	232,284	231,258	301,822
Total	<u>\$8,781,654</u>	<u>8,164,448</u>	<u>8,473,046</u>	<u>11,508,267</u>	<u>12,511,884</u>	<u>7,643,828</u>	<u>6,459,113</u>	<u>6,622,943</u>	<u>6,753,926</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Emmetsburg Community School District:

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Emmetsburg Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Emmetsburg Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Emmetsburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emmetsburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emmetsburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emmetsburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Emmetsburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Emmetsburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Emmetsburg Community School District and other parties to whom Emmetsburg Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Emmetsburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

March 29, 2013

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

I-B-12 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012, did not exceed the certified budget amounts in any of the four functions. The District did not exceed the General Fund unspent authorized budget.
- II-B-12 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-H-12 Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.
- II-I-12 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form of October 2011 was overstated. The District's certified enrollment count included 1 additional student on line 1. This resulted in overstating the total actual enrollment at line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

- II-J-12 Supplementary Weighting - Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted. Course adjustments for FY11 were made per DE, Spanish 4 (.11) and Elementary Spanish II (.02).

Recommendation - The District should notify the Iowa Department of Education of the error to get the proper count.

Response - The District will contact the Iowa Department of Education.

Conclusion - Response accepted.

- II-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

EMMETSBURG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting: (continued)

II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$469,077
Revenues/transfers in:		
Sales tax revenues	\$478,501	
Other local revenues	<u>995</u>	<u>479,496</u>
		948,573
Expenditures/transfers out:		
Supplies	250	
Transfers to other funds:		
Debt service fund	<u>428,724</u>	<u>428,974</u>
Ending balance		<u>\$519,599</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F or the Code of Iowa.

	Per \$1,000 Of Taxable Valuation	Property Tax Dollars
Debt Service	<u>\$1.41</u>	<u>\$428,724</u>